

GUIDELINES FOR PROCESSING APD FOR WELL IN POTASH AREA - R-111-P

BLM approves federal wells in potash area so we do not have to worry about this.

STATE & FEE LEASES

Post to map and if within the potash area outlined on map or within 1 mile of that area do the following:

1) Make certain operator has filed a plat of the area showing the potash lessees for the area where the well is located as well as the 1-mile radius referred to.

2) Make certain operator has notified all of the potash lessees by certified mail of the APD. They must send copy of delivery notice to us since 20-day waiting period starts from delivery date.

3) Send letter to BLM and SLO advising them of this APD and request they advise if this location is within LMR or buffer zone.

BUFFER ZONE -- shallow well is 1/4 mile of LMR
-- deep well is 1/2 mile of LMR

4) If application is within LMR or buffer zone you must DENY it under R-111-P unless, there is a mutual agreement of lessor and lessees of oil & gas and potash interests. Copy of this agreement must be submitted with APD.

5) If application is outside LMR or buffer zone and no objection is received within 20 days from date of receipt by potash lessees of certified notice, the APD may be approved.

CHECK LIST FOR PROCESSING APD IN POTASH AREA

OPERATOR: Hallwood Petroleum Inc

LEASE & WELL Bass # 3-J

LOCATION 1980/54 1980/E 3D-20s-33e PROPOSED DEPTH 8300

DATE APD RECEIVED 7/21/97 WAS PLAT OF AREA ATTACHED _____

WERE ALL POTASH LESSEES NOTIFIED BY CERTIFIED MAIL? _____

20-DAY WAITING PERIOD BEGINS _____ ENDS _____

WERE WAIVERS RECEIVED? Yes

DATE SLO NOTIFIED 7/27/97 DATE REPLY RECEIVED 8/2/97

DATE BLM NOTIFIED 7/27/97 DATE REPLY RECEIVED 8/5/97

IS LOCATION INSIDE LMR OR BUFFER ZONE? YES X NO _____

IF LOCATION INSIDE LMR OR BUFFER ZONE WAS LESSEE/LESSOR AGREEMENT FURNISHED Yes

DATE APD APPROVED _____ DATE APD DENIED _____